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SUBJECT: EMBASSY MINSK WEEKLY POL/ECON REPORT - MARCH 29, 2007

11. The following are brief items of interest compiled by Embassy Minsk.

TABLE OF CONTENTS

INTERNATIONAL RELATIONS

- Bodies from GOB Plane Attacked in Somalia to Return (para. 2)
- Venezuela Considers Buying Missiles from Belarus (para. 3)

CIVIL SOCIETY

- Lukashenko Claims to Ease GOB Press Access (para. 4)
- Opposition Youth Activist Formally Charged (para. 5)
- Opposition Politician Cleared of Petty Hooliganism (para. 6)

INTERNATIONAL TRADE AND INVESTMENT

- Russian Bank to Buy Stake in Belarusian Bank (para. 7)
- GOB Seeks to Double Foreign Investment (para. 8)
- ABN Amro to Be GOB Sovereign Credit Rating Consultant (para. 9)

DOMESTIC ECONOMY

- Belarus' Average Salary Drops 0.5 Percent (para. 10)
- Belarus' Mineral Fertilizer Output Up 3.6 Percent (para. 11)

QUOTE OF THE WEEK (para. 12)

INTERNATIONAL RELATIONS

12. Bodies from GOB Plane Attacked in Somalia to Return

Belarus' Ambassador to the United Arab Emirates confirmed that the bodies of 11 Belarusians killed in an apparent missile attack against a Belarusian transport plane in Somalia would arrive in Minsk on March 30. The GOB-owned Transaviaexport cargo airline dispatched the IL-76 aircraft to retrieve equipment from another Belarusian transport plane hit with a projectile on March 12.

13. Venezuela Considers Buying Missiles from Belarus

On March 26, following his talks with Belarusian Security Council State Secretary Viktor Sheyman, Venezuelan president Hugo Chavez on Sunday announced that Caracas could purchase anti-aircraft missile systems from Belarus. Chavez praised his country's arms cooperation with Belarus and China as a means to offset the USG's May 2006 ban on weapon exports to Venezuela. Venezuela's legislature recently ratified an agreement on military and technical cooperation with Belarus. During Chavez's July 2006 visit to Belarus, the

Minsk-based Tetraedr defense industry enterprise promised to showcase its short-range anti-aircraft missile system for the Venezuelan army at an exhibition in Minsk this May.

CIVIL SOCIETY

14. Lukashenko Claims to Ease GOB Press Access

On March 28, President Lukashenko pledged no further restrictions on the media's contacts with GOB officials and promised that journalists would obtain the same amount of information they had been obtaining earlier or "even more." Lukashenko was responding to a report about a confidential letter signed by Deputy Prime Minister Andrey Kabyakov that threatened punishment against officials whose comments given to the media contain "biased" or "incorrect" coverage of the country's economic situation. The confidential letter was posted on several websites on February 28 and warned that officials whose remarks appearing in newspapers and other media outlets misrepresented the economic situation would face disciplinary action.

15. Opposition Youth Activist Formally Charged

On March 28, authorities formally charged opposition youth organization Malady Front leader Dmitriy Fedaruk, with acting on behalf of an unregistered organization, a charge which carries a fine or a prison sentence of up to two years. Police apprehended Fedaruk with 26 other youth activists during a raid on a private apartment in Minsk on February 4 and released him three days later. On November 1, 2006, opposition youth leader Dmitriy Dashkevich was sentenced to 18 months in a minimum-security correctional institution on the same charge.

MINSK 00000272 002 OF 002

16. Opposition Politician Cleared of Petty Hooliganism

On March 26, a judge in the eastern city of Gomel cleared opposition politician Yuriy Glukashov of a petty hooliganism charge. On March 23, an unknown person reportedly feigned that Glukashov had kicked him. Police present at the scene immediately arrested the activist, who described his detention as an effort by authorities to prevent his participation in the March 25 demonstration.

INTERNATIONAL TRADE AND INVESTMENT

17. Russian Bank to Buy Stake in Belarusian Bank

On March 27, Belarus' sixth largest bank, Belvneshekonombank, reported that Russia's Vneshekonombank would purchase 48.5 percent of its GOB-owned shares. The agreement was reportedly reached in December of last year at the meeting between the Russian bank's CEO and President Lukashenko.

18. GOB Seeks to Double Foreign Investment

On March 27, Belarus' Minister of Economics Nikolay Zaychenko said the GOB drafted a resolution aimed at increasing investment by 17 percent, which would double the GOB's original target. The resolution will exempt equipment imported as a contribution to charter funds from VAT and customs payments. This reestablishes some of the benefits available to foreign investors under Belarus' Investment Code that were revoked two years ago. In addition, the resolution provides for lower interest on foreign loans (subsidies, exemptions, etc.), zero import tariffs on some equipment, and purchases without compulsory tenders and easier access to land for investment projects.

19. GOB Selects Sovereign Credit Rating Consultant

Belarus' Finance Ministry told Prime TASS news service on March 27 that Belarus has chosen the Netherlands' ABN Amro as a sovereign

credit rating consultant. Belarus wants a sovereign credit rating to be assigned by July in order to attract international lending.

DOMESTIC ECONOMY

¶10. Belarus' Average Salary Drops 0.5 Percent

On March 28, Belarus' Labor Ministry announced that the country's nominal average monthly salary equaled USD 287 in February, down 0.5 percent on the month. In the agricultural sector, nominal salaries dropped 0.8 percent to USD 161. Average salary of administrative workers went up 0.2 percent to USD 377. Meanwhile, consumer prices increased 0.8 percent after a 1.8 percent increase in January.

¶11. Belarus' Mineral Fertilizer Output Up 3.6 Percent

On March 28, the Belarusian Statistics Ministry announced Belarus' January-February output of mineral fertilizers increased 3.6 percent on the year to 1.057 million tons. Potash fertilizer output increased 2 percent to 894,500 tons, phosphate fertilizers 12.7 percent to 31,900 tons, and nitrogen fertilizers 12.7 percent to 130,900 tons. Meanwhile, the combined January-February output of Belarus' chemical and petrochemical industry went up 9 percent.

QUOTE OF THE WEEK

¶12. During a March 28 press conference, President Lukashenko offered this guidance into preventing misinformation in the press:

"It is not necessary [to restrict] journalists, but the various chatterboxes in the government who do not the current situation but attempt to give out [incorrect] information."

Moore